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C O N F I D E N T I A L TAIPEI 003971

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SUBJECT: MINISTER HU SHENG-CHENG ON ECONOMIC ISSUES

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: November 22, Minister Without Portfolio and Council for Economic Development and Planning Chair Hu Sheng-cheng said he thought China opposed the Free Trade Area of the Asia Pacific (FTAAP) because it undermined China's efforts to marginalize U.S. economic influence in East Asia. Hu spoke about his upcoming trip to Washington and his impressions of the recent APEC Leaders' Meeting. Dr. Hu will be the featured speaker at the U.S.-Taiwan Business Council Lunch on November 28 where he will outline Taiwan's strategies for continued economic development. End summary.

¶2. (C) During his November 22 meeting with AIT Director Young, Dr. Hu emphasized that Taiwan strongly supports both a resumption of Doha talks and a Free Trade Area of the Asia Pacific (FTAAP). However, Hu questioned whether the FTAAP could ever be realized in the face of China's strong opposition. Hu explained that China opposes the FTAAP not just because of Taiwan's likely participation, but the FTAAP would undermine its plans for an ASEAN X FTA, which, Hu said, was designed to "marginalize" the U.S. economic presence in Asia.

¶3. (C) Dr. Hu said he was very pleased to hear President Bush's endorsement of the FTAAP since this showed the U.S. had decided to continue to play a major role in Asia. He noted that the different levels of development of APEC economies also presented a major challenge to an APEC-wide FTA and suggested that a U.S.-Taiwan FTA could serve as a model for the rest of APEC to follow.

¶4. (C) Dr. Hu praised the upbeat tone of the Director's November 21 speech to AmCham (which Hu said he had read online) and appreciated receiving English and Chinese texts and a transcript of the Q&A session from the Director. The Director highlighted several of the points in the speech, including the need for dialogue between Taiwan and the PRC, but emphasized that the message in the speech was not new.

¶5. (C) In light of a recent Legislative Yuan report criticizing Taiwan's decision to reopen its market to U.S. beef imports, the Director asked for Hu's support in insisting on science-based consideration of the U.S. beef issue and in persuading Taiwan's Council on Agriculture (COA) to be more forthcoming in planning for a Consultative Committee on Agriculture (CCA). He noted that in recent

discussions COA had tried to exclude sanitary and phytosanitary issues from the scope of the CCA. Dr. Hu reassured the Director that the Executive Yuan would make sure Taiwan implemented its TIFA commitments.

YOUNG